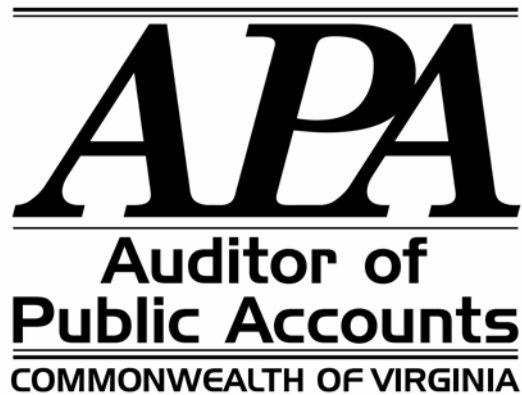


**DEPARTMENT OF MOTOR VEHICLES
COST ANALYSIS FOLLOW-UP REPORT**

DECEMBER 2004



EXECUTIVE SUMMARY

The Auditor of Public Accounts, as directed by Chapter 1042 of the Acts of Assembly of 2003 developed a cost accounting model designed to accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by the Department of Motor Vehicles (Motor Vehicles). The following report discusses Motor Vehicles' efforts to implement the cost methodology and productivity measures recommended by the November 13, 2003, report.

Motor Vehicles staff has made progress in developing the structure and procedures necessary to implement the cost model. Generally, we observed that management needs to provide their staff guidance on what information is necessary for decision-making, cost control, and performance measurements. There is no clear indication of what information they need to provide for cost control and performance measurements. It is crucial to the success of this model that management establishes cost controls objectives and performance measurements, before designing the capture and reporting of information by the cost model. Tracking and identifying costs is only part of a performance management framework, which provides information that decision-makers can use to improve and communicate the results of government services. Without this guidance, the staff time and potential system changes will result in wasted resources of the agency and the Commonwealth.

In addition to the update on the cost model, we reviewed the general financial operations of Motor Vehicles. In connection with this review, since Motor Vehicles had not completed work on their cost model, we used our assumptions from last year to look at current operations. The cost model again illustrates the need for a balance between revenue collections and customer service. The Department of Motor Vehicles' management and decision makers must determine whether the current level of service is worth the cost to the taxpayer.

RECOMMENDATION:

We recommended that the General Assembly may wish to have the Governor submit with the next biennial budget, the plans to control cost and incorporate in the performance measurement process a balance of services between CSC and alternative services.

Originally, we reported on cash flow problems at Motor Vehicles and in the last two years, actions by the General Assembly and management of Motor Vehicles has addressed these issues. We also reported that a contributing factor to the cash flow problems was the need by Motor Vehicles to depend on and use any increase in revenues that the department generates. In fiscal year 2004 Motor Vehicles requested and received approval to spend an additional \$13 million for operating expenses. Each fiscal year Motor Vehicles consistently submits requests for additional operating appropriations. These requests for appropriations allow Motor Vehicles to spend any extra revenues generated. This activity uses up current, and commits future resources of the Commonwealth.

RECOMMENDATION:

The General Assembly may wish to restrict Planning and Budget's ability to authorize Motor Vehicles use of new revenues.

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

November 19, 2004

The Honorable Mark R. Warner
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Lacey Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have completed our review of the Department of Motor Vehicles as required by Item 477 of Chapter 4 of the 2004 Acts of Assembly and submit our report entitled, **"Department of Motor Vehicles Cost Analysis Follow-Up Report."**

Objectives

The objectives of our review were:

- Conduct a follow-up status review of the November 13, 2003 report entitled "Department of Motor Vehicles Cost Analysis Special Report," to report on the Department of Motor Vehicles' efforts to implement the cost methodology and develop effective productivity measures as recommended.
- To report the changes to the Department of Motor Vehicles budget processes to ensure that these activities include the development and monitoring of the budget, including all funding sources and overall financial policy.
- Evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting records, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Scope

Our review procedures included requesting and reviewing various documents related to this project including the following: strategic plans, policy and procedures manuals for personnel and general operations, budget plans submitted to the Department of Planning and Budget and plans for internal use, revenue forecasting reports, and various technical reports obtained from agency systems and used for important management decisions.

We reviewed changes to the transaction processes to understand how the agency captures and records costs and revenue resources in their accounting systems. We attempted to associate the costs and revenues with services and activities performed by Motor Vehicles.

We also made inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations.

We discussed this report with Motor Vehicles' management on November 22, 2004 and included their response in Appendix C. Management does not concur with the recommendations and we have responded to their issues.

AUDITOR OF PUBLIC ACCOUNTS

cc: Whittington W. Clement, Secretary of Transportation
Senator John H. Chichester, Chairman, Senate Finance Committee
Senator Martin E. Williams, Chairman, Senate Transportation Committee
Delegate Vincent F. Callahan, Jr., Chairman, House Appropriation Committee
Delegate Leo C. Wardrup, Jr., Chairman, House Transportation Committee

FOLLOW UP OF REPORT ON THE COST MODEL

The Department of Motor Vehicles (Motor Vehicles) is the primary collector of transportation revenues in the Commonwealth. The agency funds its operations by retaining a portion of revenues collected and obtaining some federal grants for agency specific programs. The percentage of collections kept by Motor Vehicles varies by operations and purpose of collections. The Code of Virginia establishes the distribution and use of funds. In addition, the Governor's Budget and actions of the General Assembly may also restrict and limit Motor Vehicles' use of the collections retained.

The primary source of revenue collections are taxes, motor vehicle registration fees, vehicle title fees, driver license fees, record fees, and reserved license fees which in turn produce the highest sources of revenue for operations. Motor Vehicles places its portion of the revenue in a special fund titled "Motor Vehicles Special Fund." Management uses the resources out of the Motor Vehicles Special Fund to administer programs and meet statutory requirements. We discuss Motor Vehicles' processes and the agency's relationship to other transportation agencies in more detail in the Commonwealth Transportation Report issued October 19, 2004.

Historical cash flow problems at Motor Vehicles led the General Assembly to request the Auditor of Public Accounts to develop a cost accounting model that will accurately and completely document the true total costs, both direct and indirect, of the activities and services provided by Motor Vehicles.

We developed the cost model by reviewing Motor Vehicles' processes related to funding and financing sources, expense estimation, cash flow and revenue forecasting, accumulation and assignment of costs, development of the strategic plan, and automated information systems. The results of our review were communicated in a special report released November 2003 entitled, "Department of Motor Vehicles Cost Analysis Special Report."

This detailed analysis found that Motor Vehicles did not have a systematic way to identify or collect the costs of products and services, and therefore could not reasonably determine their annual budgetary requirements. In order to analyze the true costs of products and services, we recommended that Motor Vehicles establish an activity-based cost model. This cost model would accumulate and measure costs to assist Motor Vehicles' management in analyzing and reporting cost information to both internal and external groups concerned with the way in which the organization uses, accounts for, safeguards, and controls its resources to meet its objectives.

However, before embarking on the implementation of any cost model it is important for management to establish a comprehensive implementation plan including how the model will support the agency's overall strategic plan. During this process Motor Vehicles' management should consider how they will use the information to provide cost accounting information and facilitate cost management with an emphasis on three important areas: cost determination, planning and decision-making, and cost control and performance measurement. In addition, the process should consider gathering revenue information in a manner to facilitate profit-loss (revenue-cost) comparison at the function, program, activity, and work center levels. Management must also define what types of decisions the data will support and what level of precision is required. Further, Motor Vehicles' management must develop performance measures for productivity, and use these measures as an effective tool to determine staffing and effective use of resources.

During the 2004 session, the General Assembly directed Motor Vehicles to implement the recommendations made in the November 2003 Cost Analysis report to ensure their budget processes reflect sound financial policy. Additional budget language required Motor Vehicles to develop performance measures and submit these measures in the form of budget amendments to the 2005 General Assembly.

Motor Vehicles' management assigned resources from the Finance and Budget departments to develop a cost model using the report as a starting point. As a result, Motor Vehicles personnel have made significant progress in identifying and tracking costs.

In the following sections, we will discuss Motor Vehicles' efforts to implement a cost model. We will then discuss the importance of a performance management framework, and compare the framework to current Motor Vehicles' processes and cost model implementation. Subsequently, we will discuss Motor Vehicles' financial activity and analyze the data obtained from the cost model.

Cost Model Implementation

Our first review recommended that Motor Vehicles develop a systematic methodology to identify and collect costs of products and services to determine budgetary requirements. In response to our review, Motor Vehicles created an implementation team that met weekly to plan and implement a cost accounting model. This team included personnel from all management areas to ensure that the model provided accurate information on an agency level as well as a departmental level.

To develop the model, the implementation team first identified three primary objectives. The first objective was to ensure that Motor Vehicles' accounting structure is consistent and aligns with Motor Vehicles' organizational structure. In addition, Motor Vehicles would develop policies and procedures to protect the accounting structure from unauthorized changes. The second objective was to develop a systematic tool to identify and collect the material cost of products and services, revenues, and transaction volume for use in the biennial budget development for financial and operational analysis and decision-making. The third objective was to provide management with information to increase fees and/or eliminate or minimize low value-added costs.

The team then developed a timeline and identified each phase of the cost model implementation process. The timeline defines the steps necessary to complete each phase and assigns each step a start date, due date, and responsible party.

The implementation team obtained the most recent organizational chart and compared it to accounting structure. They also identified core activities and reviewed related processes, and then met with program managers to determine the best work center organization to provide management with useful cost information. Based on the information gathered, the team identified what work centers needed to be added, deleted, combined, or separated. Because this is a new initiative, Motor Vehicles has established a set of work centers to track costs for all revenue generating activity. Motor Vehicles has not developed a methodology to track costs for key non-revenue generating activities, such as processing address changes and information requests from local law enforcement agencies. As the cost model becomes more established, Motor Vehicles will review non-revenue generating transactions for inclusion.

The team then identified the cost drivers associated with each work center, and analyzed them to ensure proper capture of costs. During the implementation stage, Motor Vehicles concentrated their efforts on cost drivers that have a significant impact on the cost model. The implementation team then reviewed the budget program structure to make sure that captured costs would correspond to program budgets.

At this point, the implementation team assigned resource costs to activities and identified costs as direct or indirect. Motor Vehicles is currently using the same methodology to assign the costs to specific cost drivers. As of October 1, 2004 Motor Vehicles is on track with their implementation of the cost model. Motor Vehicles expects to complete implementation and testing of the cost Model prior to fiscal year end 2005.

OTHER ISSUES AFFECTING THE COST MODEL

System Changes

System changes were necessary to implement the new cost model and enable Motor Vehicles to compare revenues and expenses. Motor Vehicles collects revenues from many sources. Several systems capture and record revenues. Motor Vehicles' primary revenue system, the Customer Service Center Network (CSCNet), captures and sends information to the host, Citizen Service System (CSS). As its general ledger system, Motor Vehicles uses an Oracle Financials System named Purchasing Inventory and Payables System (PIPS). PIPS captures expenses, transfers, and allocations.

Prior to the accounting structure changes, CSS uploaded revenue data directly into the Commonwealth Accounting and Reporting System (CARS), which would strip off any work center information. PIPS would then upload the expenditure information into CARS and download the revenue data. By having the revenue data go through CARS before importing into PIPS, the work center information was lost. As a result, Motor Vehicles was unable to compare revenues to expenditures.

Implementing one of the Cost Analysis Report recommendations, Motor Vehicles now captures revenue data, including associated work centers, in CSS and posts the data into PIPS on a daily basis. PIPS then uploads both the revenue and expenditure data directly to CARS. By doing this, Motor Vehicles tracks work centers in its general ledger system that will allow for a comparison of revenues and expenses. This helps track overall costs within each work center.

Work Center Change Procedures

Before our first review, Motor Vehicles had inadequate change controls regarding accounting structure modifications. As a result, Motor Vehicles captured costs in work centers that were inconsistent with the agency's organizational structure. Consequently, tracking costs was extremely difficult. During the implementation phase of the cost system, Motor Vehicles established policies and procedures concerning changes to the work center structure. Based on the new policies and procedures, the agency should only establish new work centers when necessary. Purposes for new work centers include recording new agency expenses, posting revenues, or supporting unique agency activities. Where applicable, Motor Vehicles implemented work centers changes to be effective at the beginning of the new fiscal year.

The Financial Analysis and Reconciliation department (Finance) maintains the agency's official work center table and administers change requests. Motor Vehicles uses this table to update CARS and all agency systems, including CSS and PIPS. A requester must submit a formal written request for a work center change to Finance. This request must include justification for the change, along with approval by the administration affected by the proposed change. Once Finance receives the request they validate the justification and reasonableness of the request. Finance then prepares a memo to notify all administrations of the work center changes. The Chief Financial Officer approves this memo. Finance then sends out the work center notification and updates relevant systems.

Cost Allocation

In response to a recommendation in last year's special review, Motor Vehicles is working on a time and attendance system to aid in the allocation of costs. Management has not yet determined if the agency will use the Human Resource module in Oracle Financials or implement an entirely new Human Resource system. The agency intends that the system implemented will help track applications, benefits, and leave, in addition

to time and effort information. This human resource system will help determine which costs Motor Vehicles should use in relation to the work performed by the employee.

With the exception of personal services, Motor Vehicles most significant cost is information technology. Information technology has several divisions and work centers. The information technology divisions provide a variety of services that they often track by specific core activities. In order to determine the mechanism to allocate information technology costs, Motor Vehicles has decided to wait until the transition of information technology services to the Virginia Information Technology Agency (VITA) is complete. The completion data for the VITA transition is October 25, 2004. At this point, management plans to analyze how VITA will structure information technology costs before they design an allocation method.

CSS Data

In order to obtain statistical and financial information from CSS, Motor Vehicles currently uses a reporting application called Control D. Control D produces user-requested CSS reports in an electronic format, which are viewable online. Access controls exist to limit user access to certain reports. If a user requests a new report, CSS staff design and test the report before placing it into production.

Control D reports pull data directly from CSS without any alterations or processing of the data. This reporting process is a step towards having easy access to necessary data in a timely fashion; however, these reports allow users to view, but not extract the data. Control D reports do not allow management to manipulate the information for analytical and statistical purposes. Without this ability it is difficult to use Control D reports to develop cost and performance measurements.

In addition, Motor Vehicles does not plan to track or analyze key non-revenue producing activities at this time. The agency designed the cost model to track all revenue producing activities and only one non-revenue activity, address changes. After the model implementation is complete and cost data is available for analysis, management will consider if they want to include non-revenue activities. Motor Vehicles will base this decision on management needs and add non-revenue activities as necessary.

Motor Vehicles does not intend to make any major changes to CSS or incur any expenses in developing a tool to extract statistical information from CSS. There is a plan to rewrite the entire CSS system, at which time they intend to include statistical tools in the system. Management plans to evaluate what statistical analysis tools are necessary and implement them during the rewrite of CSS.

Motor Vehicles' Web Services Division worked with the Customer Service Management Administration (CSMA) to create a web application to aid in using CSS data for statistical analysis. This web application allows users to query counts of activities performed and the service outlet used during the time-period selected. For example, a user can view a count of all Vehicle Renewals during June 2003 that used the Internet. This tool is very helpful when comparing the use of the alternative service methods. The web application runs directly off the CSS server, which Motor Vehicles' Information Technology Services updates nightly.

It is the goal of CSMA to build a data warehouse to store CSS data. The web application would use the data warehouse for running queries, which would provide both summary and detailed information faster and more efficiently. Currently, the web application only allows users to run high-level queries. To perform detailed queries, such as those related to demographic data, a user must request an ad hoc report from Web Services and CSMA. A plan is in place to add more statistical tools to the web application following the implementation of the proposed Integrated Systems Redesign Project.

The Integrated System Redesign Project is a redesign of Motor Vehicles' core mainframe systems and related applications to achieve full integration for driver licensing and control, vehicle registration and titling, motor carrier credential services, and all associated financial and security components. Although this project is currently unfunded, the Information Technology Investment Board (ITIB) has approved this project for planning. Project planning allows the agency to compile a detailed project proposal and charter. The VITA Secretariat Oversight committee and Chief Information Officer will then review this plan, and ITIB will provide project approval.

PERFORMANCE MANAGEMENT FRAMEWORK

To make the cost model effective, the report stated that management needed to incorporate the use of the cost information into the Motor Vehicles strategic plan, performance measures, and balanced scorecard. In addition to reviewing the implementation of the accounting and systems changes, we reviewed the planned use of the cost accounting analysis in the area of performance management.

Strategic Plan

A performance management framework relies heavily on linking strategic goals and performance measures so that legislators, management, and the public can evaluate programs and determine use of resources. Motor Vehicles released its Six-Year Strategic Plan in November 2003. The strategic plan identifies Motor Vehicles' vision and mission statement, as well as values and guiding philosophy. The plan also identifies the agency's core business functions and desired outcomes; however, the plan does not include any of the associated indicators used to measure progress in achieving the desired outcomes. In addition, the plan does not include any assessable input, output, or outcome measures. By not identifying these measures, Motor Vehicles is unable to evaluate its current performance relative to its strategic goals and objectives. Further, agency management cannot identify benchmarks, performance targets, or potential strategies for improving their organization.

Performance Measurement

The next step in the performance management framework is performance measurement. This is the systematic collection and reporting of information that track resources used, work produced, and intended results achieved. Performance measures should track both strategic and operational progress. To develop meaningful performance measures, an organization must understand the desired outcomes and the processes used to produce the outcomes. Organizations should measure desired outcomes from the perspective of both internal and external customers.

Management needs relevant information for decision-making. If properly constructed, the performance measures selected will result in data that is meaningful to decision makers in terms of improving organizational performance. The data generated should be timely, relevant, and concise. Assessment results should provide information on the efficiency of the production of goods and services, on how well current performance compares to intended programmatic purposes, and on the effectiveness of organizational activities and operations in terms of their specific contribution to program objectives.

During fiscal year 2003, Motor Vehicles produced a "Balanced Scorecard." This scorecard measured performance in the areas of Customer Service, Human Resources, Financial Management, Process Improvement, and Transportation Safety with the greatest emphasis on Customer Service. While we had found areas in the scorecard that could be improved, we reported that it was a sound first step in effectively using performance measures to manage the agency and deliver services. When properly implemented, a balanced scorecard is a management tool that enables organizations to clarify their vision and strategy and

translate them into action. It provides feedback for both internal business processes and external outcomes in order to continuously improve strategic performance and results.

During fiscal year 2004, Motor Vehicles discontinued producing the “Balanced Scorecard,” because Motor Vehicles had planned to hire a consultant to provide benchmarking services. Benchmarking is the continuous process of measuring services and practices against strong competitors or recognized industry leaders. While benchmarking requires a measurement mechanism so that an organization can identify any performance “gaps,” benchmarking is not the same as a performance measure. Benchmarks allow an organization to compare performance with other entities, while a performance measure assesses the organization’s effectiveness in achieving its strategic outcomes. The value of performance measurement comes from its ability to improve performance, not simply measure it. To improve, an agency needs to know two things, where it wants its performance to be, and where its performance currently is.

In February 2004, Motor Vehicles entered into a contract with Cost Effective Measurement, Incorporated (CEM) for consulting services to define, analyze, and report multiple state comparative motor vehicle benchmarks. However, this effort could not proceed until motor vehicle departments of six other states agreed to participate which occurred in November 2004. Consequently, other than the performance measures reported to the Department of Planning and Budget (DPB), Motor Vehicles has not consistently tracked any comprehensive measures to evaluate the agency’s performance. By not developing and tracking internal measures, Motor Vehicles is unable to determine how they are performing and which programs are effective.

Program Evaluation

The third step in the performance management framework is program evaluation. Program evaluation is the systematic collection and analysis of information to determine a program’s performance and reasons for achieving the level of performance. While implementing the cost model will provide cost information, the lack of performance measures prevents the agency from determining program effectiveness.

Performance Budgeting

Performance budgeting is the final step in the performance management framework. It is the systematic incorporation of performance information including planning, performance measurement, and evaluation information into the budgetary process. As we have mentioned previously, the lack of performance measures prevents Motor Vehicles from practicing performance budgeting. It is critical that the cost code structure and organization coincide with DPB’s program structure. Motor Vehicles’ Budget Office is currently working with DPB to ensure that Motor Vehicles’ cost code structure coincides with DPB’s program structure.

Though they have only been working on the cost model since December 2003, Motor Vehicles’ staff has made progress by establishing the core structure and procedures necessary to implement the cost model. However, successful implementation and use of the cost model depends on Motor Vehicles’ management actions on the following observations.

1. Management has not identified the information necessary for decision-making, cost control, and performance measurements. Staff are developing the model without a clear indication of what information they need to provide for cost control and performance measurements. It is crucial to the success of this model that management establishes cost controls objectives and performance measurements, before designing the capture and reporting of information by the cost model. Tracking and identifying costs is only part of a performance management

framework, which provides information that decision-makers can use to improve and communicate the results of government services.

2. Motor Vehicles should track key non-revenue transactions that the agency performs, especially those that are mandated functions, and include these costs in the model. By doing this, Motor Vehicles will be able to see the actual costs of these programs. This will support the agency's requests for increased appropriations or ability to charge fees to cover costs.
3. Motor Vehicles must periodically evaluate past priorities and missions in the context of current realities. A complete performance management framework incorporates strategic planning and performance measurement practices into the management of all operations. It can provide a ways and means by which the agency can include customers, stakeholders, and employees in their management efforts – primarily to reach a balance among the needs and opinions of these groups along with the achievement of the organization's stated strategic mission.

The cost model proposal was an integral part of Motor Vehicles' performance management process. Additionally, the cost model sought to provide policy makers with information outside of the agency on what services cost and what trade offs existed between the various technology and services. High customer satisfaction comes at the cost of lost revenue to the Commonwealth Transportation Funds.

4. Management needs to address how it plans to use the cost model for internal decision-making. Without this guidance, the staff time and potential system changes could result in wasted resources of the agency and the Commonwealth.

2004 COST ANALYSIS

We have taken the available information for fiscal year 2004 and provided some limited information on how the cost model data would look for this year. We did not do the same in-depth allocations as last year and we did limit some of our work in other areas.

Since Motor Vehicles had not completed work on their cost model, we used the assumptions from 2003 Cost Model to look at current operations. The model presented in this report presents transaction counts and relative values based on our original methodology; it is the responsibility of Motor Vehicles to clearly define and identify the data and sources used in the final, working cost model.

We have included, as Appendix B, the Fiscal Year 2004 Revenue Table. This table presents all revenues collected by Motor Vehicles during fiscal year 2004 and identifies the amounts maintained for operations, transferred to Transportation and other state agencies, localities, and others. Amounts listed in the DMV Operating Fund and DMV Other Special Funds columns represent the total funds maintained by Motor Vehicles to administer programs. The table groups revenue collections by the functional activities used in the cost model.

As illustrated in Appendix B, Motor Vehicles collected over \$2.1 billion in revenue during fiscal year 2004. Motor Vehicles transferred over \$1.9 billion to Commonwealth agencies and localities, the General Fund, and others. As reflected in Table 1, the Department of Transportation receives almost 88 percent of all collections transferred. Motor Vehicles is also responsible for collecting special funds for other state agencies, certain local government taxes, and for other states under reciprocal agreements or compacts with

those states. Disbursements to other state agencies, localities, and states totaled over \$190 million, and taxes transferred to local governments totaled approximately \$36 million. Transfers to the General Fund totaled over \$38 million.

Table 1

Breakdown of Revenue Transfers

Transfers to:	<u>Amount</u>	<u>Percent</u>
Department of Transportation	\$1,676,647,427	87.9%
Other agencies, localities and states	156,310,537	8.2%
Localities	36,324,717	1.9%
General Fund	<u>38,769,742</u>	<u>2.0%</u>
Total	<u>\$1,908,052,423</u>	<u>100.0%</u>

Operating Revenues and Expenses

Using the methodology presented in the November 2003 Cost Analysis report, using fiscal year 2004 data, we re-ran the cost model. We have included the 2004 Cost Model results as Appendix A. The cost model includes the allocation of indirect overhead expenses for those work centers that support overall agency's operations. These include the Commissioner's Office, Financial and Budgeting Services, and Information Technology Services. Motor Vehicles' management must decide the appropriate methodology to apply these costs. For example, as reported previously, Information Technology Services is a significant expense and should be tracked by activity rather than allocated as overhead; however, tracking the expenses incurred by the Commissioner's Office by activity would not be cost beneficial.

Of the gross revenues collected, Motor Vehicles retains approximately 9 percent or \$193,528,335 to fund operations. The amounts vary by source of service and are typically set forth in the Code of Virginia. Motor Vehicles also receives a portion of collections from several other funds such as the Uninsured Motorist Fund to administer this program. Table 2 illustrates the amount of revenues collected and retained by activity. The total revenues retained include those that remain in the fund at fiscal year end.

Table 2

Gross Revenue Collections and Retained Revenue by Activity

<u>Function</u>	<u>Gross Collection</u>	<u>Retained Revenues</u>
Driver Services	\$ 47,325,394	\$ 42,971,361
Vehicle Services	918,962,105	84,709,015
Motor Carrier Services	1,091,997,178	23,538,737
Transportation Safety Services	23,520,685	6,418,167
Records Management	32,735,969	32,731,136
Other Mandatory Services	<u>6,603,796</u>	<u>3,159,919</u>
Total	<u>\$2,121,145,127</u>	<u>193,528,335</u>
Less: Transfers and Adjustments		<u>(21,671,705)</u>
Net Revenues Retained		<u>\$171,856,630</u>

The Motor Vehicles Cost Model Implementation Team has changed the organization of some work centers to better capture costs. Using the cost model results, Table 3 presents the expenses by activity, including the allocation of overhead for fiscal years 2004 and 2003.

Table 3

Expenses by Activity with Allocated Overhead

<u>Functional Area</u>	<u>2004</u>	<u>2003</u>
Driver Services	\$ 41,161,996	\$ 33,330,952
Vehicle Services	86,289,382	86,790,184
Motor Carrier Services	24,351,203	24,763,828
Transportation Safety Services	8,306,195	8,088,324
Records Management	8,211,332	8,071,804
Other Mandatory Services	<u>751,414</u>	<u>1,004,671</u>
Total	<u>\$169,071,522</u>	<u>\$162,049,763</u>

As illustrated by Table 4, the amount retained for operations by functional area does not always reflect the costs incurred to provide the programs. This does not necessarily require a restructuring of fees, but rather provides Motor Vehicles management with additional information to determine if the current fee structure is adequate.

Table 4

2004 Retained Revenues as Compared To Actual Expenses by Functional Area

<u>Functional Area</u>	<u>Retained Revenues</u>	<u>Expenses</u>	<u>Revenue Over Expenses</u>
Driver Services	\$ 42,971,361	\$ 41,161,996	\$1,809,365
Vehicle Services	84,709,015	86,289,382	(1,580,367)
Motor Carrier Services	23,538,737	24,351,203	(812,466)
Transportation Safety Services	6,418,167	8,306,195	(1,888,028)
Records Management	32,731,136	8,211,332	24,519,804
Other Mandatory Services	<u>3,159,919</u>	<u>751,414</u>	<u>2,408,505</u>
Total	<u>193,528,335</u>	<u>\$169,071,522</u>	<u>24,456,813</u>
Less: Transfers and Adjustments	<u>(21,671,705)</u>		<u>(21,671,705)</u>
Net Revenues Retained	<u>\$171,856,630</u>		<u>\$2,785,108</u>

Product and Services Costs

The cost model analyzes the costs of products provided by Motor Vehicles. For example Table 5 illustrates the cost of driver license products issued through customer service centers by allocating the total costs of original driver licenses by the number issued in each center for fiscal years 2003 and 2004. The average cost of issuing an original driver license at a CSC for fiscal year 2003 and 2004 was \$45.43 and \$45.24 respectively. However, as shown in Table 5, that cost varies greatly among the different service centers.

Table 5

License Cost by Customer Service Center

<u>Customer Service Center</u>	<u>FY2004</u>	<u>Cost per Original License</u>		
		<u>FY2003</u>	<u>Difference</u>	<u>Difference %</u>
Emporia CSC	\$68.62	\$95.26	\$(26.64)	-27.97%
South Hill CSC	54.18	52.24	1.94	03.71
Arlington CSC	33.85	29.56	4.29	14.51
Roanoke CSC	42.89	34.67	8.22	23.71
Chesterfield CSC	34.01	38.48	4.47	11.62
Tyson's Corner CSC	30.36	22.82	7.54	33.04
Statewide Averages	45.24	45.43	(0.19)	-00.42%

There were significant changes in some of the cost per original driver license by CSC from Fiscal 2003 to Fiscal 2004. Some of these variances are due to Motor Vehicles' efforts to capture costs more accurately, however, most of these variances represent an increase or decrease in the number of licenses issued during the year. For example, above, the Emporia CSC closed for part of fiscal year 2003, resulting in a large increase in original licenses issued during fiscal year 2004. Similar circumstances caused fluctuations at many of the CSCs. Table 6 illustrates an example of these differences.

Table 6

Original Driver Licenses Issued

<u>Customer Service Center</u>	<u>FY2004</u>	<u>FY2003</u>	<u>Difference</u>	<u>Difference %</u>
Emporia CSC	1,610	798	812	101.75%
South Hill CSC	2,229	1,949	280	14.37%
Arlington CSC	23,172	20,273	2,899	14.30%
Roanoke CSC	13,207	11,983	1,224	10.21%
Chesterfield CSC	13,414	8,860	4,554	51.40%
Tyson's Corner CSC	21,719	23,292	(1,573)	-06.75%
Statewide Totals	534,136	457,843	76,293	16.66%

The cost model also measures the customer service delivery costs by service center. This is an important measure for Motor Vehicle management to track. Rather than invest more resources into CSCs, Motor Vehicles should be trying to promote less costly alternative services.

The CSC costs increased over \$6 million between fiscal years 2003 and 2004, which is an increase in allocated overhead. This increase of expenses shows the effect of temporarily closing CSCs in 2003 and additional resources for new initiatives, including Legal Presence. However, the increasing CSC costs bring into question whether the efforts to promote alternative services have been successful.

Table 7

Customer Service Delivery Administration Costs

<u>Customer Service Center</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>Difference</u>	<u>Difference %</u>
Emporia CSC	\$ 356,078	\$ 323,536	\$ 32,542	10.06%
South Hill CSC	367,188	391,220	(24,032)	-6.14%
Arlington CSC	1,975,157	1,880,962	94,195	5.01%
Roanoke CSC	1,592,597	1,403,309	189,288	13.49%
Chesterfield CSC	1,151,866	1,197,979	(46,113)	-3.85%
Tyson's Corner CSC	1,555,294	1,413,286	142,008	10.05%
Statewide Totals	67,807,719	61,650,367	6,157,352	9.99%

One of the best indicators of alternative services use is registration renewals. A vehicle registration renewal transaction does not require visit to a CSC; it can be handled through the mail, Internet, touch-tone or Electronic Teller. As illustrated in Table 8, in 2004 the CSC registration renewals increased by 104,463 transactions while the mail-in renewal activity decreased by 181,658 transactions. The average cost of a CSC renewal is \$10.32 compared to the average cost of a mail-in renewal of \$3.12. For every mail-in or Internet registration renewal Motor Vehicles saves approximately \$7. Motor Vehicles management, in their efforts to promote the use of alternative services, might consider an additional service fee for transactions conducted in a CSC in cases where alternative services were available.

Table 8

Registration Renewal Activity Levels

	2004	2003		2004	2003
<u>Transaction Type</u>	<u>Transaction Activity</u>	<u>Transaction Activity</u>	<u>Difference</u>	<u>Average Cost</u>	<u>Average Cost</u>
Registration Renewal - CSC	2,394,842	2,290,379	104,463	\$10.32	\$8.56
Registration Renewal - Mail	1,794,751	1,976,409	(181,658)	3.12	2.55
Registration - Internet	593,181	492,331	100,850	3.12	2.55
Registration Renewal - Touch Tone	115,360	107,303	8,057	3.12	2.55
Registration Renewal - ET Machine	8,042	12,520	(4,478)	3.12	2.55

Observations from the Cost Modeling

In general terms, the overall increase in activity appears to mirror the anticipated growth in the Commonwealth. However, there are some other interesting observations. With the re-opening of CSCs, overall volume of activity increased, therefore spreading the fixed costs over a larger population. However, the CSCs still remain the highest cost method of delivering services.

Additionally, as stated last year, the closing of CSCs increased the volume of activities for alternative services. Again, with the re-opening of the CSCs the activities volumes have leveled and, in some cases declined.

While short wait time and pleasant CSCs have a positive impact on public opinion, this service comes at a high cost of delivery and includes less manageable and controllable long-term costs such as salaries and fringe benefits. As stated earlier, management needs to incorporate into its performance management process a mechanism to begin addressing these controls.

The General Assembly may wish to have the Governor submit with the next biennial budget, the plans to control cost and incorporate in the performance measurement process a balance of services between CSC and alternative services.

FISCAL 2004 FINANCIAL ACTIVITY

At the end of fiscal year 2002, Motor Vehicles experienced cash flow difficulties which required management to request and receive a Treasury Loan of \$4 million. Motor Vehicles repaid the \$4 million loan by June 30, 2003, but to meet cash requirements for the 2003 fiscal year, received a \$6 million Treasury Loan, which it has repaid.

The Motor Vehicle Special Fund balance at June 30, 2003 was \$1.5 million, which were unspent loan proceeds. During fiscal year 2004, to repay the outstanding loan, the Governor and the General Assembly reduced the required transfers from Motor Vehicles to other funds by the amount of the \$3 million loan. Waiver of these transfers was the equivalent of loan forgiveness.

In addition to the debt relief, Motor Vehicles also requested and received approval to spend an additional \$13 million for operating expenses. Each fiscal year Motor Vehicles consistently submits requests for additional operating appropriations. These requests for appropriations allow Motor Vehicles to spend any extra revenues generated. This activity uses up current, and commits future resources of the Commonwealth.

Finally, rather than maintaining large cash balances at the end of fiscal year 2004 Motor Vehicles prepaid over \$5 million in operating expenses. This type of spending pattern does not allow Motor Vehicles to establish an adequate cash reserve for years when revenues do not meet forecast. The design of the Motor Vehicle Special Fund allows the agency to retain additional revenues for future cash needs. Also, as important, is setting and following a budget that controls the agency's growth with oversight and review as part of the budgetary and appropriation process.

The General Assembly should restrict Planning and Budget's ability to authorize Motor Vehicles use of new revenues.

Analysis of Expenses

Motor Vehicles currently administers eight programs. Motor Vehicles' management has significant budgetary control of four of these programs; the other four programs are either the collection and distribution of taxes or federal funds to localities and other state agencies. As shown in Table 9, Motor Vehicles achieved approximately \$17 million in savings during fiscal year 2003 compared to expenses of the previous fiscal year; however, the trend did not continue for fiscal year 2004. The Highway Vehicle Regulation Program reflects the most significant changes while other programs remained basically unaffected.

Table 9

Three-Year Analysis of Expenses by Program

<u>Program Name</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>Amount of Change from 2003-2004</u>	<u>Percent of Change</u>
Financial Assistance to Localities for					
Disposal of Abandoned Vehicles	\$ 391,460	\$ 404,790	\$ 449,900	\$ (13,330)	-3.29%
Highway Vehicle Regulation	125,849,219	117,353,427	134,696,124	8,495,792	7.24%
Ground Transportation Safety					
Promotion	8,170,166	8,084,507	9,498,461	85,659	1.06%
Financial Assistance for					
Transportation Safety	1,719,153	2,104,008	1,929,259	(384,855)	-18.29%
General Management and Direction	29,317,049	29,584,311	29,440,132	(267,262)	-0.90%
Physical Plant Services	5,523,796	6,597,970	5,432,257	(1,074,174)	-16.28%
Distribution of Mobile Home Taxes	5,576,096	7,299,013	8,294,129	(1,722,917)	-23.60%
Distribution of Rental Vehicle Taxes	28,637,428	27,178,834	25,868,327	1,458,594	5.37%
Capital Outlay	<u>211,874</u>	<u>429,896</u>	<u>286,303</u>	<u>(218,022)</u>	-50.72%
Total expenses	<u>\$205,396,241</u>	<u>\$199,036,756</u>	<u>\$215,894,892</u>	<u>\$6,359,484</u>	

Appendix A - Cost Model Worksheets

DRIVER SERVICES							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
			Allocation			Direct Overhead	
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead
			<i>Transactions or Percent of Costs</i>		<i>Allocation method multiplied by relative value</i>	<i>CSDA Allocation</i>	
Driver Licensing	Driver License Original-CSC	\$ -	534,137		0.237	\$ 12,462,900	\$ 642,871
	Driver License - CSC	-	940,068		0.417	7,034,707	1,131,437
	Driver License -Mail In Manual	-	199,401		0.088	-	239,993
	Driver License -Internet	-	200,300		0.089	-	241,075
	Driver License -Touchtone	-	35,657		0.016	-	42,916
	Driver License-ET	-	1,040		0.000	-	1,252
	Driver License-Fax	-	-		-	-	-
	Juvenile License-Driver License	-	49,184		0.022	-	59,196
	License - Address Change	-	213,994		0.095	485,056	257,557
	Commercial Drivers License	-	82,468		0.037	1,024,607	99,256
Total		-	2,256,249		1.000	21,007,270	2,715,553
Identification Cards	ID Cards (Official Identification)	-	178,762		0.398	1,665,191	257,758
	ID Cards for other agencies and General Assembly	-	28,365		0.058	244,407	37,832
Disabled Placard	Disabled Placard	-	94,902		0.257	1,075,563	166,488
Compliance and Enforcement	Court Suspensions	507,589	-		0.121	-	78,570
	Restorations	-	-		-	-	-
	Driver Improvement	526,621	-		0.126	-	81,517
	Medical Review	-	-		-	-	-
	Commercial Licensing	159,902	-		0.038	-	24,752
Total		1,194,112	302,029		1.000	2,985,162	646,916
Column Total		\$ 1,194,112				\$ 23,992,432	\$ 3,362,469
Note: Differences due to rounding							

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Appendix D - Cost Model Worksheets

VEHICLE SERVICES					
Column A	Column B	Column C	Column D	Column E	Column F
			Allocation		
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight
			<i>Transactions or Percent of Costs</i>		<i>Allocation method multiplied by relative value</i>
Title	Title Issued	\$ -	1,688,314		0.199
Registration	Regular Registration	-	1,129,923		0.133
	Registration - Government Plate	-	99,061		0.012
	Registration - Reserved Plate	-	470,269		0.055
	Registration - Online Processing		156,746		0.018
	Registration Renewal - CSC	-	2,394,842		0.282
	Registration Renewal - Mail	-	1,794,751		0.211
	Registration - Internet Renewal	-	593,181		0.070
	Registration Renewal - Touch Tone	-	115,360		0.014
	Registration Renewal - ET Machine	-	8,042		0.001
	Registration Renewal - Fax	-	-		-
Overload Permits	Overload Permits - CSC	-	22,493		0.003
	Overload Permits	-	15,431		0.002
Total		-	8,488,413		1.000
Compliance and Enforcement	Financial Responsibility Compliance	-	-		-
	Data Conversion / Credit Card Processing	-	-		-
	Abandoned Vehicle Program	-	-		-
	Centralized Accident Processing	-	-		-
	Uninsured Motorist Program	-	-		-
	Correspondence & Judgment	21	-		0.000
	Insurance Verification	565,486	-		1.000
Total		565,507	-		-
Column Total		\$ 565,507	8,488,413		1.000
Note:					
Differences due to rounding					

Appendix D - Cost Model Worksheets

Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N
Direct Overhead							
Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs	Per Unit Cost	Add Compliance Costs	Total per Cost Drivers
<i>CSDA Allocation</i>			<i>Overhead Allocation</i>				
\$ 14,732,538	\$ 3,613,742	\$ 18,346,280	\$ 8,105,405	\$ 26,451,686	\$ 15.67	\$ 49,076	\$ 15.70
8,858,862	2,418,537	11,277,399	4,982,367	16,259,766	14.39	32,845	14.42
667,468	212,035	879,502	388,565	1,268,067	12.80	2,880	12.83
5,110,720	1,006,585	6,117,305	2,702,632	8,819,936	18.76	13,670	18.78
-	335,506	335,506	148,227	483,733	3.09	4,556	3.12
11,963,327	5,126,026	17,089,353	7,550,094	24,639,446	10.29	69,614	10.32
-	3,841,565	3,841,565	1,697,207	5,538,772	3.09	52,170	3.12
-	1,269,671	1,269,671	560,942	1,830,613	3.09	17,243	3.12
-	246,922	246,922	109,090	356,012	3.09	3,353	3.12
-	17,213	17,213	7,605	24,818	3.09	234	3.12
-	-	-	-	-	-	-	-
175,303	48,145	223,448	98,719	322,167	14.32	654	14.35
-	33,029	33,029	14,592	47,622	3.09	449	3.12
41,508,217	18,168,975	59,677,193	26,365,445	86,042,638	\$ -	\$ 246,744	\$ -
-	-	-	-	-			
-	-	-	-	-			
-	-	-	-	-			
-	-	-	-	-			
-	-	-	-	-			
-	-	6	3	9			
-	-	171,129	75,605	246,735			
-	(394,371)	171,136	75,608	246,744			
\$ 41,508,217	\$ 17,774,604	\$ 59,848,329	\$ 26,441,053	\$ 86,289,382			

Appendix D - Cost Model Worksheets

MOTOR CARRIER SERVICES							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
			Allocation			Direct Overhead	
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight	Customer Service Delivery	Other Direct Overhead
			<i>Transactions or Percent of Costs</i>			<i>CSDA Allocation</i>	
Rental Tax	Rental Tax	\$ 241,611	-		0.164	\$ -	\$ 204,250
Fuels Tax	Fuels Tax	602,605	-		0.410	-	509,422
IFTA	IFTA-Mail	-	-		-	-	-
	IFTA-Internet (Webcat)	-	-		-	-	-
	IFTA-CSC	-	-		-	-	-
IRP	IRP- Mail	-	-		-	-	-
	IRP- Internet (Webcat)	-	-		-	-	-
	IRP-CSC	-	-		-	-	-
Operating Authority	Operating Authority	-	-		-	-	-
Single State Registration (SSRS)	SSRS	-	-		-	-	-
MCS Mileage/Hauling Permits	MCS Mileage/Hauling Permits	626,438	-		0.426	-	529,570
Total		1,470,655	-		1.000	-	1,243,243
Compliance and Enforcement	Liquidated Damages	-	-		-	-	-
	Weigh Stations - Permanent	5,874,968	-		0.580	-	2,345,358
	Weigh Stations - Mobile	1,386,795	-		0.137	-	553,625
	Weigh Stations - IRIS	221,650	-		0.022	-	88,485
	External Audit	1,013,973	-		0.100	-	404,790
	Motor Carrier Enforcement	1,633,699	-		0.161	-	652,192
Total		10,131,085	-		1.000	-	4,044,451
Column Total		\$ 11,601,740	-		-	\$ -	\$ 5,287,694
Note:							
Differences due to rounding							

Appendix D - Cost Model Worksheets

Column I	Column J	Column K
Total Direct Costs	Indirect Overhead	Total Costs
	<i>Overhead Allocation</i>	
\$ 445,862	\$ 196,982	\$ 642,844
1,112,028	491,295	1,603,323
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,156,008	510,726	1,666,734
2,713,898	1,199,003	3,912,901
-	-	-
8,220,326	3,631,749	11,852,075
1,940,420	857,279	2,797,699
310,135	137,018	447,154
1,418,763	626,811	2,045,574
2,285,891	1,009,909	3,295,800
14,175,536	6,262,766	20,438,302
\$ 16,889,434	\$ 7,461,769	\$ 24,351,203

Appendix D - Cost Model Worksheets

TRANSPORTATION SAFETY SERVICES					
Column A	Column B	Column C	Column D	Column E	Column F
			Allocation		
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight
			<i>Transactions or Percent of Costs</i>		
Transportation Program Management	Transportation Program Management	\$ -	-		-
Transportation Federal Grant Program	Transportation Federal Grant Program	153,181	-		0.031
Reporting & Evaluation Services	Reporting & Evaluation Services	262,157	-		0.052
Motorcycle Rider Safety Program	Motorcycle Rider Safety Program	891,576	-		0.178
Community Traffic Safety Program	Community Traffic Safety Program	3,701,325	-		0.739
Total		\$ 5,008,240	-		1.000
Note:					
Differences due to rounding					

Appendix D - Cost Model Worksheets

Column G	Column H	Column I	Column J	Column K
Direct Overhead				
Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs
<i>CSDA Allocation</i>			<i>Overhead Allocation</i>	
\$ -	\$ -	\$ -	\$ -	\$ -
-	23,023	176,204	77,847	254,052
-	39,403	301,560	133,229	434,789
-	134,005	1,025,582	453,103	1,478,685
-	556,315	4,257,640	1,881,030	6,138,670
\$ -	\$ 752,746	\$ 5,760,986	\$ 2,545,210	\$ 8,306,196

Appendix D - Cost Model Worksheets

<u>RECORDS MANAGEMENT</u>					
Column A	Column B	Column C	Column D	Column E	Column F
			Allocation		
Activities	Cost Drivers	Direct Costs	Allocation Method	Relative Value	Weight
			<i>Transactions or Percent of Costs</i>		
Information Services	User Services	\$ 141,895	-		0.026
	Vehicle Records Work Center	261,352	-		0.049
	Driver Records Work Center	1,816,978	-		0.339
	Records -CSC	-	-		0.428
Customer Records	Indexing	5,363	-		0.001
	Microfilm	825,334	-		0.154
	Data Integrity	14,140	-		0.003
Total		\$ 3,065,061	-		1.000
Note:					
Differences due to rounding					

Appendix D - Cost Model Worksheets

Column G	Column H	Column I	Column J	Column K
Direct Overhead				
Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs
<i>CSDA Allocation</i>			<i>Overhead Allocation</i>	
\$ -	\$ 8,813	\$ 150,707	\$ 66,583	\$ 217,290
-	16,232	277,584	2,517	280,101
-	112,848	1,929,826	387,280	2,317,105
2,297,100	142,667	2,439,767	6,635	2,446,402
-	333	5,696	852,599	858,295
-	51,259	876,593	1,077,892	1,954,485
-	878	15,018	122,637	137,655
\$ 2,297,100	\$ 333,030	\$ 5,695,191	\$ 2,516,141	\$ 8,211,332

Appendix D - Cost Model Worksheets

<u>OTHER MANDATED FUNCTIONS</u>					
Column A	Column B	Column C	Column D	Column E	Column F
			Allocation		
Activities	Cost Drivers	Direct Costs	Method	Relative Value	Weight
			<i>Trans- actions or Percent of Costs</i>		<i>Allocation method multiplied by relative value</i>
Personal Property Tax Relief	Personal Property Tax Relief	\$ 458,851	-		0.979
Dealer Services	Dealer/Salesperson Licenses & Registration Certificate	-	-		0.021
	Salvage Dealer Licensing	-	924		0.000
	Consumer/Dealer Services	51	-		0.000
Total		\$ 458,902	924		1.000
Note:					
Differences due to rounding					

Appendix D - Cost Model Worksheets

Column G	Column H	Column I	Column J	Column K
Direct Overhead				
Customer Service Delivery	Other Direct Overhead	Total Direct Costs	Indirect Overhead	Total Costs
<i>CSDA Allocation</i>			<i>Overhead Allocation</i>	
\$ -	\$ 51,174	\$ 510,024	\$ 225,329	\$ 735,354
9,970	1,112	11,082	4,896	15,978
-	-	-	-	-
-	6	57	25	82
\$ 9,970	\$ 52,291	\$ 521,164	\$ 230,251	\$ 751,414

Appendix D - Cost Model Worksheets

<u>INDIRECT OVERHEAD</u>							
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Support Service	Total Overhead Costs	Drivers Service	Vehicle Services	Motor Carrier	Transportation Safety	Records	Other Mandated
Commissioner's Office	\$ 1,488,977	\$ 362,505	\$ 759,932	\$ 214,456	\$ 73,151	\$ 72,315	\$ 6,618
Audit & Investigative Services	5,124,644	1,247,641	2,615,475	738,097	251,765	248,890	22,776
Communications	1,603,438	390,371	818,350	230,942	78,774	77,874	7,126
Human Resources	1,692,694	412,102	863,904	243,797	83,159	82,209	7,523
Information Technology	21,203,725	5,162,239	10,821,789	3,053,951	1,041,703	1,029,806	94,237
Financial Management Services	7,580,827	1,845,621	3,869,042	1,091,859	372,433	368,180	33,692
Administrative Services	8,012,146	1,950,630	4,089,175	1,153,981	393,623	389,128	35,609
Facilities Management	3,149,902	766,872	1,607,622	453,677	154,749	152,982	13,999
Government Services	1,951,056	475,002	995,765	281,009	95,852	94,757	8,671
Total	\$ 51,807,407	\$ 12,612,983	\$ 26,441,053	\$ 7,461,769	\$ 2,545,210	\$ 2,516,141	\$ 230,251
Note:							
Differences due to rounding							

	Total Direct Costs	Allocated General Overhead Costs
Functional Area - Driver Services:		
Driver License Issue-CSC	\$ 13,105,771	\$ 5,790,143
Driver License Renewal - CSC	8,166,145	3,607,811
Driver License -Mail In Manual	239,993	106,029
Driver License -Internet	241,075	106,507
Driver License -Touchtone	42,916	18,960
Driver License-ET	1,252	553
Driver License-Fax	-	-
Juvenile License-Driver License	59,196	26,153
License - Address Change	742,613	328,087
Commercial Drivers License	1,123,863	496,524
ID Cards (Official Identification)	1,922,949	849,561
ID Cards for other agencies and General Assembly	282,239	124,693
Disabled Placard	1,242,051	548,740
Court Suspensions	586,159	258,966
Restorations	-	-
Driver Improvement	608,138	268,676
Medical Review	-	-
Commercial Licensing	184,654	81,580
Total	28,549,013	12,612,983
Functional Area - Vehicle Services:		
Title Issued	18,346,280	8,105,405
Regular Registration	11,277,399	4,982,367
Registration - Government Plate	879,502	388,565
Registration - Reserved Plate	6,117,305	2,702,632
Registration - Online Processing	335,506	148,227
Registration Renewal - CSC	17,089,353	7,550,094
Registration Renewal - Mail	3,841,565	1,697,207
Registration Renewal - Internet	1,269,671	560,942
Registration Renewal - Touch Tone	246,922	109,090
Registration Renewal - ET Machine	17,213	7,605
Registration Renewal - Fax	-	-
Overload Permit - CSC	223,448	98,719
Overload Permit	33,029	14,592
Financial Responsibility Compliance	-	-
Data Conversion/Credit Card Processing	-	-
Abandoned Vehicle Program	-	-
Centralized Accident Processing	-	-
Uninsured Motorist Program	-	-
Correspondence & Judgment	6	3
Insurance Verification	171,129	75,605
Total	59,848,329	26,441,053
Functional Area - Transportation Safety:		
Transportation Program Management	-	-
Transportation Federal Grant Program	176,204	77,847
Reporting & Evaluation Services	301,560	133,229
Motorcycle Rider Safety Program	1,025,582	453,103
Community Traffic Safety Program	4,257,640	1,881,030
Total	5,760,986	2,545,210

	Total Direct Costs	Allocated General Overhead Costs
Functional Area - Motor Carrier:		
Rental Tax	445,862	196,982
Fuels Tax	1,112,028	491,295
IFTA-Mail	-	-
IFTA-Internet (Webcat)	-	-
IFTA-CSC	-	-
IRP- Mail	-	-
IRP- Internet (Webcat)	-	-
IRP-CSC	-	-
Operating Authority	-	-
SSRS	-	-
MCS Mileage/Hauling Permits	1,156,008	510,726
Liquidated Damages	-	-
Weigh Stations - Permanent	8,220,326	3,631,749
Weigh Stations - Mobile	1,940,420	857,279
Weigh Stations - IRIS	310,135	137,018
External Audit	1,418,763	626,811
Motor Carrier Enforcement	2,285,891	1,009,909
Total	16,889,434	7,461,769
Functional Area - Transportation Safety:		
Transportation Program Management	-	-
Transportation Federal Grant Program	176,204	77,847
Reporting & Evaluation Services	301,560	133,229
Motorcycle Rider Safety Program	1,025,582	453,103
Community Traffic Safety Program	4,257,640	1,881,030
Total	5,760,986	2,545,210
Functional Area - Other Mandated Services:		
Personal Property Tax Relief	510,024	225,329
Motor Vehicle Dealer Board	-	-
Board of Accountancy	-	-
Board of Elections	-	-
Dealer/Salesperson Licenses and Registration Certificate	11,082	4,896
Salvage Dealer Licensing	-	-
Consumer/Dealer Services	57	25
Total	521,164	230,251
Functional Area - Records Management:		
User Services	150,707	66,583
Data Integrity	15,018	122,637
Indexing	5,696	852,599
Microfilm	876,593	1,077,892
Vehicle Records Work Center	277,584	2,517
Driver Records Work Center	1,929,826	387,280
Records -CSC	2,439,767	6,635
Total	5,695,191	2,516,141
Grand Total	\$ 117,264,116	\$ 51,807,407
Note: Differences due to rounding		

CSDA	FY04			
Column A	Column B	Column C	Column D	Column E
Cost Drivers processed by Customer Service Delivery Administration (CSDA)	Transactions	Relative Value	Weight [B*C]	Allocated Direct Costs
Driver License Issue-CSC				
Original	353,723	18.400	6,508,503	10,104,593
Combined	57,209	11.240	643,029	998,317
Learners	123,205	7.110	875,988	1,359,990
Address Change	213,994	1.460	312,431	485,056
Driver License Renewal - CSC				
Replacement	-	-	-	-
Duplicate	172,584	5.600	966,470	1,500,466
Renewal	498,096	4.950	2,465,575	3,827,859
Reissue	269,388	4.080	1,099,103	1,706,381
Commercial Drivers License				
Original	20,367	12.950	263,753	409,482
Reissue	20,123	6.320	127,177	197,446
Renewal	36,600	6.300	230,580	357,980
Duplicate	5,378	7.150	38,453	59,699
ID Cards (Official Identification)				
Original	178,762	6.000	1,072,572	1,665,191
ID Cards for other agencies and General Assembly	28,365	5.550	157,426	244,407
Disabled Placard	94,902	7.300	692,785	1,075,563
Title				
Original	521,060	6.300	3,257,906	5,057,971
Replacement	98,909	5.900	583,563	905,994
Transfer	917,108	5.700	5,227,516	8,115,832
Duplicate	151,237	2.780	420,439	652,741
Regular Registration	1,129,923	5.050	5,706,111	8,858,862
Registration - Specialty Plate	-	7.140	-	-
Registration - Reserved Plate	470,269	7.000	3,291,883	5,110,720
Government Plate	99,061	4.340	429,925	667,468
Plate re-issue	75,991	4.450	338,160	525,001
Registration Reissue	49,542	5.210	258,114	400,727
Renewal	1,599,313	3.120	4,989,857	7,746,861
LVR	385,541	4.000	1,542,164	2,394,243
Transfer	284,455	2.030	577,444	896,494
Overload Permit - CSC	22,493	5.020	112,915	175,303
Rental Tax	-	14.290	-	-
Fuels Tax	-	14.290	-	-
IFTA-CSC	-	6.950	-	-
IRP-CSC	-	6.950	-	-
Operating Authority	-	6.950	-	-
SSRS	-	6.950	-	-
MCS Mileage/Hauling Permits	-	6.950	-	-
Dealer/Salesperson Licenses and Registration Certificate	-	6.950	-	-
Salvage Dealer Licensing	924	6.950	6,422	9,970
Consumer/Dealer Services	-	6.950	-	-
Transcripts (Records Management)	286,462	1.000	286,462	444,739
Reinstatements (Compliance/Enforcement)	215,756	5.530	1,193,131	1,852,361
Total CSDA Costs	8,376,808		43,675,855	67,807,719
Note 1: All relative values were calculated using a limited time study. A more detail analysis is recommended.				
Note 2: Differences due to rounding				

TOTAL CSDA COSTS		Total CSDA Cost		Driver License Cost by CSDA			
Work Center	Work Center Code	CSDA Costs	Percent of Total CSDA Costs	Original Drivers Licenses Issued	Percent of Total Driver Licenses	Allocated Amount of CSDA Costs	Unit Cost Per Original Driver License
Customer Contact Center	230	\$ 3,987,952	5.88%	-	0.00%	\$ -	\$ -
Altavista CIS	259	946,456	1.40%	-	0.00%	-	-
North Fairfax	300	4,988	0.01%	-	0.00%	-	-
Amelia	302	44,242	0.07%	-	0.00%	-	-
Amherst	303	147,489	0.22%	-	0.00%	-	-
Appomattox	304	68,545	0.10%	-	0.00%	-	-
Poquoson License Agent	305	94,606	0.14%	-	0.00%	-	-
Customer Service Delivery (004)	306	6,175,961	9.11%	-	0.00%	-	-
Berryville	307	157,220	0.23%	-	0.00%	-	-
Blackstone	308	30,919	0.05%	-	0.00%	-	-
CSM - Performance/Data/Projects	309	17,325	0.03%	-	0.00%	-	-
CSM - Procedure/Support	310	69,827	0.10%	-	0.00%	-	-
CSM - Training	311	15,966	0.02%	-	0.00%	-	-
CSM - Administration	312	40,944	0.06%	-	0.00%	-	-
License Agent Management	313	7,949	0.01%	-	0.00%	-	-
Cape Charles	314	13,132	0.02%	-	0.00%	-	-
Charlotte Courthouse	315	27,147	0.04%	-	0.00%	-	-
Bristol District Manager	319	134,198	0.20%	-	0.00%	-	-
Roanoke District Manager	322	205,598	0.30%	-	0.00%	-	-
Staunton District Manager	325	133,029	0.20%	-	0.00%	-	-
Dillwyn	328	62,120	0.09%	-	0.00%	-	-
Pearisburg (Giles Co.)	329	29,771	0.04%	-	0.00%	-	-
Fairfax District Manager	332	282,880	0.42%	-	0.00%	-	-
Richmond District Manager	336	214,192	0.32%	-	0.00%	-	-
Portsmouth District Manager	343	171,326	0.25%	-	0.00%	-	-
Independence	349	21,543	0.03%	-	0.00%	-	-
King George CSC	353	81,203	0.12%	-	0.00%	-	-
Lawrenceville	355	18,665	0.03%	-	0.00%	-	-
Mineral	361	88,597	0.13%	-	0.00%	-	-
Lovingston	362	15,736	0.02%	-	0.00%	-	-
Luray	363	76,802	0.11%	-	0.00%	-	-
Madison	364	64,837	0.10%	-	0.00%	-	-
Highland County License Agent	369	6,827	0.01%	-	0.00%	-	-
Orange	374	69,757	0.10%	-	0.00%	-	-
Palmyra	375	29,120	0.04%	-	0.00%	-	-
Mathews County License Agent	377	7,854	0.01%	-	0.00%	-	-
Sterling License Agent	379	37,390	0.06%	-	0.00%	-	-
Falls Church License Agent	380	86,310	0.13%	-	0.00%	-	-
Lorton License Agent	381	245,069	0.36%	-	0.00%	-	-
Abingdon License Agent	382	10,267	0.02%	-	0.00%	-	-
Town of Remington	383	43,227	0.06%	-	0.00%	-	-
Caroline County License Agent	384	20,191	0.03%	-	0.00%	-	-
Purcellville License Agent	385	22,794	0.03%	-	0.00%	-	-
Chincoteage License Agent	386	9,650	0.01%	-	0.00%	-	-
Fairfax License Agent	387	8,776	0.01%	-	0.00%	-	-
Stuart	391	38,622	0.06%	-	0.00%	-	-
Surry	393	11,335	0.02%	-	0.00%	-	-
Victoria	397	16,115	0.02%	-	0.00%	-	-

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TOTAL CSDA COSTS		Total CSDA Cost		Driver License Cost by CSDA			
Work Center	Work Center Code	CSDA Costs	Percent of Total CSDA Costs	Original Drivers Licenses Issued	Percent of Total Driver Licenses	Allocated Amount of CSDA Costs	Unit Cost Per Original Driver License
Warm Springs	400	17,355	0.03%	-	0.00%	-	-
West Point CSC	406	39,625	0.06%	-	0.00%	-	-
Richmond DMV Expressway	501	165,678	0.24%	-	0.00%	-	-
Driver License Quality Assurance	515	99,616	0.15%	-	0.00%	-	-
Roanoke CDL Testing	520	325,404	0.48%	-	0.00%	-	-
Staunton CDL Testing	521	203,279	0.30%	-	0.00%	-	-
Alexandria CSC	600	1,154,752	1.70%	16,851	3.15%	295,399	29.57
Danville CSC	602	599,676	0.88%	4,926	0.92%	153,404	43.19
Hampton CSC	603	1,060,850	1.56%	17,048	3.19%	271,377	27.96
Lynchburg CSC	604	733,712	1.08%	8,793	1.65%	187,692	33.39
Norfolk/Widgeon CSC	605	937,490	1.38%	16,197	3.03%	239,820	26.85
Portsmouth CSC	606	954,916	1.41%	11,930	2.23%	244,278	32.52
Altavista CSC	607	256,123	0.38%	1,828	0.34%	65,519	47.89
Fairfax/Westfields CSC	608	1,091,934	1.61%	12,144	2.27%	279,329	35.05
Headquarters Dealer Center	609	222,451	0.33%	-	0.00%	-	-
Waynesboro CSC	611	335,476	0.49%	3,229	0.60%	85,819	38.62
Charlottesville CSC	612	870,721	1.28%	12,356	2.31%	222,740	30.07
Woodbridge CSC	613	1,327,623	1.96%	15,600	2.92%	339,621	33.81
Franconia CSC	614	1,126,720	1.66%	12,968	2.43%	288,228	34.27
Suffolk CSC	615	549,165	0.81%	4,583	0.86%	140,483	42.70
VA Beach/Hilltop CSC	616	952,526	1.40%	12,154	2.28%	243,667	32.09
Newport News CSC	617	923,563	1.36%	12,473	2.34%	236,258	30.99
Hopewell CSC	618	562,386	0.83%	5,054	0.95%	143,864	40.51
Williamsburg CSC	619	484,586	0.71%	6,129	1.15%	123,962	32.27
Culpeper CSC	620	403,146	0.59%	4,076	0.76%	103,129	37.35
Chesapeake CSC	621	1,123,664	1.66%	12,239	2.29%	287,446	35.53
South Boston CSC	622	395,444	0.58%	2,417	0.45%	101,159	53.90
Bristol CSC	623	319,907	0.47%	1,782	0.33%	81,836	57.97
Tysons Corner CSC	624	1,555,295	2.29%	21,719	4.07%	397,862	30.36
Petersburg CSC	625	583,501	0.86%	5,739	1.07%	149,266	38.05
Norfolk/Military Circle CSC	626	782,965	1.15%	14,200	2.66%	200,291	26.15
Manassas CSC	627	1,210,215	1.78%	11,533	2.16%	309,586	38.89
East Henrico CSC	629	575,499	0.85%	7,497	1.40%	147,219	31.68
Christiansburg CSC	630	616,167	0.91%	6,363	1.19%	157,623	36.82
Winchester CSC	631	474,819	0.70%	6,261	1.17%	121,464	31.44
Harrisonburg CSC	632	756,683	1.12%	7,164	1.34%	193,568	39.06
Martinsville CSC	633	579,300	0.85%	4,006	0.75%	148,192	49.04
Fredericksburg/Spotsylvania CSC	634	1,092,405	1.61%	14,626	2.74%	279,449	31.15
Onancock CSC	635	353,775	0.52%	2,820	0.53%	90,499	44.14
West Henrico CSC	636	853,080	1.26%	10,592	1.98%	218,227	32.65
Wytheville CSC	637	411,800	0.61%	1,615	0.30%	105,343	77.27
Warrenton CSC	638	483,414	0.71%	5,117	0.96%	123,663	36.21
Tazewell CSC	639	354,559	0.52%	2,080	0.39%	90,700	55.65
Norton CSC	640	300,830	0.44%	2,106	0.39%	76,956	48.58
Richmond Central/HQ	642	1,115,749	1.65%	17,059	3.19%	285,421	28.78
Bedford CSC	643	310,046	0.46%	2,493	0.47%	79,313	43.86
Woodstock CSC	644	285,027	0.42%	2,050	0.38%	72,913	47.61
Galax CSC	645	335,944	0.50%	2,428	0.45%	85,938	47.44

Driver License Renewal Costs by CSDA				Commercial Drivers License (CDL) Costs by CSDA			
Renewal Drivers Licenses Issued	Percent of Total Renewals	Allocated Amount of CSDA Costs	Unit Cost Per Renewal	CDLs Issued	Percent of Total CDLs	Allocated Amount of CSDA Costs	Unit Cost Per CDL
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
22,837	2.43%	166,738	12.34	972	1.18%	24,285	35.44
9,956	1.06%	86,589	13.74	1,010	1.22%	12,612	22.94
22,404	2.38%	153,179	11.88	1,767	2.14%	22,311	23.08
16,048	1.71%	105,943	11.64	1,713	2.08%	15,431	19.46
17,204	1.83%	135,367	12.91	1,226	1.49%	19,716	26.53
18,341	1.95%	137,883	12.56	1,442	1.75%	20,083	24.38
4,067	0.43%	36,982	14.13	621	0.75%	5,386	19.13
20,432	2.17%	157,668	12.76	1,338	1.62%	22,964	27.62
-	0.00%	-	-	-	0.00%	-	-
6,750	0.72%	48,440	12.22	836	1.01%	7,055	18.89
22,185	2.36%	125,726	10.71	1,777	2.15%	18,312	20.76
25,737	2.74%	191,700	12.49	2,082	2.52%	27,921	23.86
19,729	2.10%	162,691	13.29	1,590	1.93%	23,696	25.36
7,888	0.84%	79,296	15.09	937	1.14%	11,549	22.78
17,867	1.90%	137,538	12.74	960	1.16%	20,032	31.32
19,712	2.10%	133,356	11.81	1,487	1.80%	19,423	23.51
9,671	1.03%	81,205	13.44	904	1.10%	11,827	23.54
9,770	1.04%	69,971	12.20	750	0.91%	10,191	24.04
9,318	0.99%	58,211	11.29	1,149	1.39%	8,479	17.83
20,539	2.18%	162,249	12.94	1,831	2.22%	23,632	23.36
5,044	0.54%	57,099	16.36	878	1.06%	8,317	19.92
4,072	0.43%	46,192	16.39	501	0.61%	6,728	23.88
33,299	3.54%	224,574	11.79	684	0.83%	32,709	58.27
10,086	1.07%	84,253	13.39	1,080	1.31%	12,272	21.82
17,959	1.91%	113,055	11.34	1,459	1.77%	16,466	21.74
21,256	2.26%	174,747	13.26	1,697	2.06%	25,452	25.45
14,991	1.59%	83,098	10.58	1,635	1.98%	12,103	17.86
14,987	1.59%	88,970	10.98	1,353	1.64%	12,959	20.03
12,958	1.38%	68,561	10.33	1,479	1.79%	9,986	17.20
14,775	1.57%	109,260	12.44	1,988	2.41%	15,914	18.46
9,916	1.05%	83,647	13.48	1,433	1.74%	12,183	18.95
23,946	2.55%	157,736	11.63	3,155	3.83%	22,974	17.73
5,289	0.56%	51,083	14.70	803	0.97%	7,440	19.72
21,824	2.32%	123,179	10.69	955	1.16%	17,941	29.24
4,712	0.50%	59,461	17.66	969	1.18%	8,661	19.39
11,472	1.22%	69,802	11.13	1,119	1.36%	10,167	19.54
5,506	0.59%	51,196	14.34	721	0.87%	7,457	20.79
5,018	0.53%	43,438	13.70	689	0.84%	6,327	19.64
24,614	2.62%	161,106	11.59	1,619	1.96%	23,465	24.95
5,601	0.60%	44,768	13.03	737	0.89%	6,521	19.30
4,933	0.52%	41,156	13.38	765	0.93%	5,994	18.29
5,707	0.61%	48,508	13.54	1,182	1.43%	7,065	16.43

TOTAL CSDA COSTS		Total CSDA Cost		Driver License Cost by CSDA			
Work Center	Work Center Code	CSDA Costs	Percent of Total CSDA Costs	Original Drivers Licenses Issued	Percent of Total Driver Licenses	Allocated Amount of CSDA Costs	Unit Cost Per Original Driver License
Lexington CSC	646	304,973	0.45%	1,808	0.34%	78,015	55.19
Courtland CSC	647	418,800	0.62%	1,739	0.33%	107,134	73.65
Covington CSC	648	292,892	0.43%	1,252	0.23%	74,925	71.89
Vansant CSC	649	317,637	0.47%	942	0.18%	81,255	98.30
Gate City CSC	650	282,879	0.42%	1,052	0.20%	72,363	80.83
Pulaski CSC	651	283,172	0.42%	1,986	0.37%	72,438	48.52
Staunton CSC	652	446,159	0.66%	3,184	0.60%	114,132	47.89
Sterling CSC	653	754,284	1.11%	12,023	2.25%	192,954	28.09
Chester CSC	654	894,926	1.32%	8,622	1.61%	228,932	38.60
Smithfield CSC	655	315,116	0.46%	2,842	0.53%	80,610	40.41
Arlington Camera Station 3	656	2,394,020	3.53%	-	0.00%	-	-
Marion CSC	658	318,264	0.47%	1,489	0.28%	81,416	66.72
Leesburg CSC	659	842,235	1.24%	11,161	2.09%	215,453	31.35
Fair Oaks CSC	660	1,114,000	1.64%	16,427	3.08%	284,974	29.39
Springfield CSC	661	1,537,071	2.27%	18,997	3.56%	393,200	32.74
Bristol CDL Testing	662	285,823	0.42%	-	0.00%	-	-
Clintwood CSC	663	334,793	0.49%	645	0.12%	85,644	144.83
Jonesville CSC	664	272,512	0.40%	1,014	0.19%	69,712	80.79
Lebanon CSC	665	270,366	0.40%	1,226	0.23%	69,163	68.46
Front Royal CSC	667	320,596	0.47%	3,181	0.60%	82,012	37.83
Rocky Mount CSC	668	349,895	0.52%	2,577	0.48%	89,507	46.78
Kilmarnock CSC	669	243,083	0.36%	1,280	0.24%	62,183	60.62
Tappahannock CSC	670	339,269	0.50%	2,670	0.50%	86,789	44.55
North Henrico CSC	671	860,056	1.27%	10,490	1.96%	220,012	33.02
VA Beach/Buckner CSC	672	916,529	1.35%	14,543	2.72%	234,458	28.17
Stafford CSC	673	838,724	1.24%	7,802	1.46%	214,555	39.54
Farmville CSC	675	398,662	0.59%	3,662	0.69%	101,982	39.89
Telephone Information Services	676	11,484	0.02%	-	0.00%	-	-
Fairfax CDL Testing	678	284,892	0.42%	-	0.00%	-	-
Hampton Dealer Center	680	327	0.00%	-	0.00%	-	-
Gloucester CSC	681	357,978	0.53%	3,738	0.70%	91,575	36.54
Portsmouth CDL Testing	683	286,614	0.42%	-	0.00%	-	-
Richmond CDL Testing	684	379,831	0.56%	-	0.00%	-	-
Fairfax North CDL Testing	685	14,747	0.02%	-	0.00%	-	-
Abingdon CSC	687	455,931	0.67%	1,907	0.36%	116,632	73.20
Northern VA Dealer Center	688	239,399	0.35%	-	0.00%	-	-
Emporia CSC	690	356,078	0.53%	1,610	0.30%	91,089	68.62
South Hill CSC	695	367,189	0.54%	2,229	0.42%	93,931	54.18
Arlington CSC	696	1,975,158	2.91%	23,172	4.34%	505,267	33.85
Roanoke CSC	697	1,592,598	2.35%	13,207	2.47%	407,404	42.89
Chesterfield CSC	698	1,151,867	1.70%	13,414	2.51%	294,660	34.01
Hampton Training Center	973	1,596	0.00%	-	0.00%	-	-
Fairfax/Westfields Training Center	978	1,968	0.00%	-	0.00%	-	-
Total		\$ 67,807,719	100.00%	534,136	100.00%	\$ 12,462,900	45.24
Note: Differences due to rounding							

Driver License Renewal Costs by CSDA				Commercial Drivers License (CDL) Costs by CSDA			
Renewal Drivers Licenses Issued	Percent of Total Renewals	Allocated Amount of CSDA Costs	Unit Cost Per Renewal	CDLs Issued	Percent of Total CDLs	Allocated Amount of CSDA Costs	Unit Cost Per CDL
4,142	0.44%	44,036	15.67	489	0.59%	6,414	23.57
4,353	0.46%	60,472	18.93	661	0.80%	8,808	23.78
3,716	0.40%	42,292	16.42	497	0.60%	6,160	22.85
3,186	0.34%	45,865	19.44	688	0.83%	6,680	20.16
2,648	0.28%	40,846	20.47	364	0.44%	5,949	26.80
5,468	0.58%	40,888	12.52	669	0.81%	5,955	19.35
8,476	0.90%	64,422	12.64	1,219	1.48%	9,383	18.15
18,537	1.97%	108,913	10.92	888	1.08%	15,863	28.32
17,418	1.85%	129,221	12.46	1,816	2.20%	18,821	20.82
6,719	0.71%	45,501	11.81	574	0.70%	6,627	22.00
-	0.00%	-	-	-	0.00%	-	-
4,087	0.43%	45,955	16.29	538	0.65%	6,693	22.89
18,498	1.97%	121,613	11.62	1,189	1.44%	17,713	25.35
29,462	3.13%	160,854	10.50	742	0.90%	23,428	42.03
29,739	3.16%	221,942	12.50	1,261	1.53%	32,326	36.09
-	0.00%	-	-	-	0.00%	-	-
2,079	0.22%	48,342	28.29	311	0.38%	7,041	33.09
2,374	0.25%	39,349	21.62	400	0.49%	5,731	24.78
3,942	0.42%	39,039	14.94	729	0.88%	5,686	18.25
7,172	0.76%	46,292	11.50	884	1.07%	6,742	18.08
6,088	0.65%	50,522	13.34	913	1.11%	7,359	18.51
3,540	0.38%	35,099	14.96	435	0.53%	5,112	22.20
6,055	0.64%	48,988	13.13	1,066	1.29%	7,135	17.15
22,664	2.41%	124,186	10.52	2,161	2.62%	18,088	18.82
22,584	2.40%	132,340	10.90	1,734	2.10%	19,275	21.57
12,995	1.38%	121,106	14.36	1,261	1.53%	17,639	24.44
8,527	0.91%	57,564	11.79	1,477	1.79%	8,384	16.13
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
8,489	0.90%	51,690	11.13	904	1.10%	7,529	18.78
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
5,112	0.54%	65,833	17.92	699	0.85%	9,589	24.17
-	0.00%	-	-	-	0.00%	-	-
3,388	0.36%	51,415	20.22	494	0.60%	7,489	25.61
5,244	0.56%	53,019	15.15	907	1.10%	7,722	18.97
32,050	3.41%	285,199	13.94	1,004	1.22%	41,539	51.83
27,109	2.88%	229,960	13.52	2,590	3.14%	33,494	23.38
25,787	2.74%	166,322	11.49	1,611	1.95%	24,225	25.49
-	0.00%	-	-	-	0.00%	-	-
-	0.00%	-	-	-	0.00%	-	-
940,068	100.00%	\$ 7,034,707	\$ 13.66	82,468	100.00%	\$ 1,024,607	\$ 23.50

Appendix E - DMV Revenue Table

Function							
Activity	Revenue Source Code	Gross Revenue Collections	DMV Operating Fund 454	DMV Other Special Funds	Transfers to Department of Transportation	Transfers to Agencies, Localities and Others	Aid to Localities
Revenue Source							
Driver Services							
Driver License Issue & Renewal							
driver license fee	2123	\$30,876,604	\$ 30,831,465	\$ -	\$ -	\$ -	\$ -
Driver Monitoring							
non-resident processing fee	2612	73,521	73,345	-	-	-	-
license recovery fee	2651	13,040	12,938	-	-	-	-
license reinstatement fee	2652	12,925,769	10,777,816	-	-	2,052,991	-
Certify Driver Training Schools							
driver license fee	2123	2,158,499	-	-	-	2,147,781	-
driver improvement school fee	2154	28,015	28,015	-	-	-	-
commercial driver education fee	2422	58,291	57,140	-	-	-	-
driver improvement program fee	8131	1,191,655	1,190,641	-	-	-	-
Vehicle Services							
Vehicle Titling							
vehicle title fee	2120	25,237,415	25,178,865	-	-	-	-
mobile home sales tax	1086	6,819,885	-	-	-	-	5,576,096
Vehicle Registrations							
vehicle registration fee	2122	247,532,835	35,053,941	-	162,821,702	45,054,269	-
vehicle sales & use tax	1084	598,338,293	-	-	597,351,940	-	-
mileage permit fee	2171	839,853	813,202	-	-	-	-
vehicle registration transfer fee	2195	1,071,706	1,033,632	-	-	30,991	-
vehicle registration replacement fee	2630	396,158	395,217	-	-	-	-
reserved license plate fee	2654	9,417,871	9,286,458	-	-	-	-
specialty license plate fee	2678	8,239,625	5,914,340	-	-	2,325,285	-
state/local license plate fee	2690	35,629	35,599	-	-	-	-
Insurance Verification							
Uninsured Motorists Program							
uninsured motorist fee	5007	16,693,498	-	5,446,599	-	14,479,264	-
Issue Overload Permits							
overload permit fee	2170	2,756,380	-	-	2,730,780	-	-
Issue Hauling Permits							
hauling permit fee	2172	1,582,958	1,551,162	-	-	-	-
Abandoned Vehicle Program							
abandoned vehicle program		-	-	-	-	-	387,082
Motor Carrier							
Virginia Fuels Tax Program							
motor fuels tax	1045	925,992,296	6,826,140	10,605,824	836,329,395	44,795,835	-
aviation fuels tax	1046	5,499,211	-	-	1,714,383	3,601,077	-
clean special fuels tax	1050	300,282	-	-	300,282	-	-
Rental Tax Program							
rental vehicle tax	1085	56,840,492	-	-	6,868,892	20,993,063	28,637,427
IFTA Program							
road tax decal fee	1077	458,195	-	-	453,178	-	-
road use tax	1079	25,789,069	-	-	6,790,390	13,932,172	-
IRP Program							
IRP fees	2121	59,594,749	-	-	54,349,306	5,083,145	-
Single State Registration System							
single state registration fee	2199	6,812,066	-	4,589,558	-	4,707,140	-
Certify Intrastate Operating Authority							
motor carrier permit fee	2144	434,074	-	422,639	-	-	-
Motor Carrier Enforcement							
liquidated damages civil penalties	8110	1,376,149	-	-	-	1,368,496	-
liquidated damages processing fee	8112	1,094,890	1,094,576	-	-	-	-
vehicle weighing fee	8125	112,026	-	-	110,879	-	-
vehicle weight violations	8126	7,693,679	-	-	6,869,021	-	-

Appendix E - DMV Revenue Table

Function	Revenue Source Code	Gross Revenue Collections	DMV Operating Fund 454	DMV Other Special Funds	Transfers to Department of Transportation	Transfers to Agencies, Localities and Others	Aid to Localities
Activity							
<i>Revenue Source</i>							
<u>Transportation Safety</u>							
Transportation safety							
motorcycle rider training fee	2124	1,089,625	-	1,086,425	-	-	-
specialty license plate fee	2678	10,425	-	10,425	-	-	-
federal grant program fund	20600	11,421,380	-	5,103,710	-	4,593,558	1,724,112
federal grant cost recovery fund	9071	16,814	-	16,814	-	-	-
vehicle safety inspection fee	2620	10,780,598	-	-	-	10,713,937	-
miscellaneous	9084	201,842	-	200,793	-	-	-
<u>Dealer Services</u>							
Issue Salesperson Licenses							
motor vehicle license fee	2122	306,499	-	-	-	254,333	-
dealer/salesperson license fee	2147	1,968,037	403,797	-	-	1,615,519	-
Salvage Dealer Licenses							
salvage vehicle inspection fee	2624	215,348	215,123	-	-	-	-
Regulatory/Compliance							
dealer civil penalties	8110	28,075	-	-	28,075	-	-
transaction recovery fund	1013	229,831	-	-	-	224,887	-
<u>Records</u>							
Customer Records							
vehicle/driver records fee	2607	32,735,969	32,731,136	-	-	-	-
<u>Miscellaneous</u>							
returned check fee	2653	363,850	356,948	-	-	-	-
vehicle registration withholding fee	2709	1,357,095	1,357,095	-	-	-	-
employee parking fee	2506	72,633	-	72,633	-	-	-
surplus property sales	9991	96,496	-	96,496	-	-	-
over/short account	2525	449,374	7,366	-	(34,229)	-	-
international reciprocity adm. fee	2707	17,063	16,926	-	-	-	-
other fees	various	1,499,496	637,041	(3,505)	(36,566)	37,016	-
TOTAL		\$2,121,145,127	\$ 165,879,925	\$ 27,648,411	\$1,676,647,427	\$ 178,010,758	\$36,324,717

AUDITOR'S COMMENT ON AGENCY RESPONSE

Attached is the agency response to our report. The first four pages represent management's interpretation of some report issues and how they believe the Commonwealth should operate the Department. Additionally, management does not agree with either of the two report recommendations:

RECOMMENDATION 1:

While Chapter 4 of 2004 Acts of the Assembly Special Session does address performance measures, we believe Motor Vehicles needs to also address cost controls and alternative services.

RECOMMENDATION 2:

We believe the General Assembly needs to exercise its historical financial oversight to this budgetary situation.

Also, the agency stated that the statistics in the appendices are inaccurate and there was a need to change a computation. We thank management for pointing out the computation issue; however, it does not change our conclusion.

Finally, Motor Vehicles has developed some statistics for their internal cost model; however, as the report states, we could not use this information. Had Motor Vehicles completed their cost model, we would have used it.



COMMONWEALTH of VIRGINIA

Department of Motor Vehicles

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866-DMV-LINE or
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D. B. Smit
Commissioner

December 1, 2004

The Honorable Walter J. Kucharski
Auditor of Public Accounts
James Monroe Building
Richmond, Virginia 23219

Dear Walt:

The Department of Motor Vehicles has weathered significant turmoil over the last several years. I am proud to say that we have resolved many issues, stabilized our financial picture and improved operations. For this reason, I am disappointed by your report entitled, "Department of Motor Vehicles Cost Analysis Follow-Up Report."

Chapter 4 of the 2004 Acts of Assembly directs both of our agencies to provide a status report on the cost allocation model that you developed in November 2003. Chapter 4 also directs DMV to work with the Secretary of Transportation to develop performance goals and strategies. While your report provides a satisfactory assessment of the cost allocation model, it criticizes DMV for failure to develop and implement performance measurements. This criticism is, in fairness, ill-timed coming six months after the directive. The criticism is also inaccurate; it fails to give credit to the performance measures DMV currently uses for decision-making and resource allocation purposes and it dismisses performance measures now under development.

Performance Measurement

Your report states that DMV has made no progress on performance measurement. However, my staff has provided you with our Six-Year Strategic Plan that has been approved by the Secretary of Transportation and the Department of Planning and Budget (DPB). Our plan identifies critical issues for improving the agency and its operations. It includes measurable targets for implementation of goals and objectives. Additionally, progress on milestones is reported regularly to the Secretary of Transportation. The plan will be updated and will include an objective for development of an automated performance tracking system that will measure specific criteria down to the work unit level.

You are critical of a decision I made to eliminate the DMV scorecard. We discontinued the DMV scorecard because it was merely a statistical report. In its place we are using measurement of desired outcomes. Additionally, we are implementing a benchmark program that compares performance measures with other state motor vehicle agencies as your report states (p. 8). Our goal is to move from counting units to measuring our performance in relation to desired outcomes.

An example is our existing system for measuring customer wait times which establishes a time threshold and measures our performance against the threshold. Companion measures identify outstanding performers as well as poor performers and even gauge shifts in performance. Further, we measure the level of staffing in each customer service center against levels of performance. I have provided these weekly reports to APA staff for review. Your staff is also welcome to inspect our files.

Benchmarking

In my opinion, APA staff has not grasped the importance of our benchmarking effort. Benchmarking is a tool used by companies to measure themselves against the best in their industry. To date, ten jurisdictions (7 states, 2 Canadian provinces and the District of Columbia) have committed to the benchmarking program initiated by the Virginia DMV. We anticipate that several more jurisdictions will join, including some additional Canadian provinces.

Approaching performance measurement under the guidance of an experienced benchmarking firm will aid us in developing measurements that we and our peers believe are significant. This meaningful performance tool will provide DMV with many of the benefits realized by the Virginia Retirement System when they developed their benchmarking system.

Our benchmarking program is gathering momentum, but has required a time commitment to get started. Development and implementation of relevant measurement tools require sufficient time to establish their validity and effectiveness. Your analysis of DMV's benchmarking initiative would have been more accurate, valid and timely had you waited until this time next year to report.

Customer Services

Your report also addresses the level of customer service that DMV provides (p. 14). You correctly state that the level of customer service a taxpayer may expect from a state agency has not been spelled out in the Code of Virginia. However, you conclude that taxpayers and DMV customers should not expect customer service to include "a short wait time and pleasant CSCs". I disagree. In addition, your argument that good customer service reduces the funds available in the Transportation Trust Fund to build and maintain roads is not accurate. The DMV Special Fund is restricted by law to support DMV operations.

I will argue to the contrary. Virginia taxpayers have a right to expect state government to provide efficient service, reasonable wait times and professional service outlets. They pay for this right through the fees we collect. Citizens, the Governor (in his charge to me when I was appointed) and the General Assembly expect DMV to provide a reasonable level of service. Lowering customer satisfaction only creates the perception of a poorly managed state government and a low return on the investment of tax dollars.

Further, Chapter 1042 of the 2003 Acts of Assembly, Item 480.B-I, directed DMV to reopen offices, restore Wednesday hours, adjust staff levels and eliminate credit card fees. This language conveys that DMV customer service and convenience is a top priority for the General Assembly. I believe the Governor and the General Assembly expect us to provide our customers with a dollars worth of service for every dollar DMV receives.

Special Funds

As your reports have documented over the last decade (including this current report), funds generated by the responsible management of the DMV Special Fund and careful budget management have been transferred to the General Fund to pay for activities other than services for the motoring public. Thus, the reduction in monies available to build and maintain roads does not result from the increased cost of providing a reasonable level of service to DMV customers, but from channeling these funds to non-transportation uses.

Alternative Services

Your report questions the effectiveness of DMV's efforts to promote the use of alternative services (mail, Internet, telephone and other electronic outlets). In FY 2000, 96 percent of driver's license renewals were conducted in customer service centers. In FY 2004, the percentage of driver's license renewals conducted in our offices had dropped to 57 percent. During the same period, vehicle registration renewals conducted in our offices dropped from 43 percent to 37 percent. The remainder of driver's license and vehicle registration renewals were conducted using alternative service outlets.

There are two primary reasons why, despite our increasing level of success in getting Virginians to utilize technology, we must continue to provide service at our 73 customer service centers. First, Virginia's population continues to grow rapidly. New arrivals to the Commonwealth typically need to enter our customer service centers. Additionally, the number of titled and registered vehicles has increased and commercial motor carrier transactions have escalated.

Secondly, new legislation, such as the legal presence requirement and vision testing requirements for older drivers, increased the complexity of driver's licensing transactions and requires more people to visit customer service centers. The increased use of alternative services for routine, high volume transactions has enabled DMV to effectively embrace the increased transaction volumes and processing complexities with

less staff than we had in 2003, while providing a consistent level of customer service. But it can not compensate for the increase in new customers nor can it compensate for laws which, by design, increase visits to our customer service centers.

Budget

The section of your report entitled, "Fiscal 2004 Financial Activity," compares expenditure and cash flow data for fiscal years 2002, 2003 and 2004. The statement that DMV "achieved approximately \$17 million in savings during fiscal year 2003 compared to expenses of the previous fiscal year; however, the trend did not continue for fiscal year 2004" is a distortion.

Fiscal year 2003 was an anomaly. The agency closed 12 customer service centers and two weigh stations for more than four months and eliminated Wednesday hours for eight months as part of budget reductions. These services were restored in FY04 and, therefore, expenditures increased accordingly. FY04 expenditures also reflect \$1.6 million for costs associated with implementation of the legal presence legislation, COLA and fringe benefit rate increases and costs beyond the agency's control.

A more meaningful comparison of DMV's efforts to save money is to compare FY04 and FY02 data. This comparison reflects an overall cost reduction of \$8.9 million. Since DMV is operating at full capacity and at a lower cost than two years ago, the agency has achieved legitimate and documented cost savings. I have to ask whether APA staff is being intellectually honest by drawing a broad conclusion from two inconsistent data points.

The report references DMV's request for \$13 million in additional appropriations in FY 2004. DMV requested, and DPB approved pursuant to authorization by the General Assembly, an additional appropriation totaling \$13.9 million. Of this amount, \$9.4 million was for new programs not in the agency base budget associated with implementation of legal presence legislation and relocation of the hauling permit program from VDOT to DMV; \$3.8 million was appropriated to cover fringe benefit and COLA increases. These amounts were continued in the Governor's Guidance memorandum and included in the agency base appropriation in Chapter 1042 and Chapter 4. The remaining \$4.5 million of the \$13.9 appropriation request was for one-time initiatives: Knowledge Automated Testing (KATS) equipment for driver's license testing; unemployment compensation reimbursements resulting from the layoffs for the last quarter of FY03 and not received until the first quarter of FY04; and, a one-time balloon mortgage payment.

DMV is a special fund agency and we submit our budget not anticipating pay increases and COLA adjustments. These cost increases are dictated by General Assembly actions. DMV must request appropriation increases through administrative authority. If we did not, we could not execute the budget approved by our legislature.

Recommendations

Finally, I take issue with the two recommendations that you make for General Assembly actions. The first recommendation is already addressed in Chapter 4 and will be implemented at the appropriate time. The second recommendation is unrealistic because it is the practice of all special funded agencies to apply for administrative appropriations for supplemental revenue.

The larger issue of the "correct level of customer service" must be addressed through a dialog between DMV and the elected officials who establish public policy. I expect to hear from our elected leaders regarding service levels. Resources should be adjusted according to their expectations.

I also recommend you check the accuracy of statistics and calculations included in the Appendices of your report. We discovered errors that produced erroneous conclusions. We will be happy to provide you with the corrections.

Notwithstanding DMV's response to your report, I and the DMV management team stand ready to engage in an open dialogue that addresses the issues conveyed in your report. DMV will be happy to host a future review of these issues by your staff. We ask only for an appropriate amount of time to complete development of effective and relevant performance measurement processes and systems.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. B. Smit', written in a cursive style.

D. B. Smit

DBS/jc